

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SS-15 SP-02 NSC-05 EB-08 IO-13
DODE-00 HA-05 COME-00 TRSE-00 FBOE-00 A-01 OMB-01
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R 061013Z SEP 78
FM AMEMBASSY BUDAPEST
TO SECSTATE WASHDC 2397
INFO AMEMBASSY BELGRADE
BERLIN 284
AMEMBASSY BONN
AMEMBASSY BUCHAREST
AMEMBASSY LONDON
AMEMBASSY MOSCOW
AMEMBASSY PARIS
AMEMBASSY PRAGUE
AMEMBASSY ROME
AMEMBASSY SOFIA
AMEMBASSY WARSAW
USMISSION USNATO

C O N F I D E N T I A L SECTION 1 OF 2 BUDAPEST 3609

E.O.11652: GDS
TAGS: PEPR, HU, US
SUBJECT: THE COMING YEAR IN HUNGARY

REF: STATE 193939

SUMMARY: BEFORE GOING OFF ON LEAVE, I THOUGHT IT MIGHT BE
USEFUL TO MAKE SOME COMMENTS ABOUT HOW WE SEE THE COMING
YEAR IN HUNGARY. BECAUSE OF SPECIAL CIRCUMSTANCES THERE HAS
BEEN A MAJOR IMPROVEMENT IN HUNGARIAN-AMERICAN RELATIONS
DURING THE PAST TWELVE MONTHS WHICH SHOULD LEAD TO EVEN
BETTER BILATERAL COOPERATION. HOWEVER, AS WE LOOK TO THE
FUTURE, WE MUST REALIZE THAT ACHIEVING OUR DESIRED OBJECTIVES
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WILL BE SLOWER AND MORE PAINSTAKING.

1. THE PAST YEAR HAS SEEN A DRAMATIC IMPROVEMENT IN
HUNGARIAN-AMERICAN RELATIONS, HIGHLIGHTED BY RESOLUTION OF
THE LONG-STANDING CROWN AND MFN ISSUES. THESE STEPS NOT
ONLY REMOVED IRRITANTS BUT ALSO PRODUCED CONDITIONS WHICH
SHOULD BE CONDUCTIVE TO SETTLEMENT OF OTHER ISSUES AND

THE ESTABLISHMENT OF MORE COOPERATIVE RELATIONS WITH HUNGARY.

2. THE PROGRESS IN RELATIONS HAS ALSO RESULTED IN AN IMPROVED AMERICAN PRESENCE IN HUNGARY. ON THE WHOLE WE HAVE RECEIVED IN THE LAST YEAR THE BEST PRESS WE HAVE HAD IN BUDAPEST SINCE THE END OF THE WAR. A NEW SIGNIFICANT TRADE DEAL HAS BEEN ANNOUNCED SINCE MFN WENT INTO FORCE AND THERE ARE NEGOTIATIONS UNDER WAY FOR SEVERAL MORE. PROSPECTIVE AGREEMENTS INCLUDE JOINT VENTURES WHICH COULD BRING ADDITIONAL U.S. BUSINESSMEN, THEIR FAMILIES, AND U.S. TECHNOLOGY AND SALES TO HUNGARY. OUR CULTURAL EXCHANGES ARE RUNNING AT THE HIGHEST LEVEL EVER; OUR LECTURERS ARE NOT GETTING INTO HUNGARIAN UNIVERSITIES AND OTHER INSTITUTIONS; HUNGARIAN TOURISM TO THE U.S. (INCLUDING WHOLE FAMILIES) IS UP SLIGHTLY AND AMERICAN TRAVEL TO HUNGARY IS UP SUBSTANTIALLY. ALSO ENCOURAGING IS THE DIALOGUE WE HAVE DEVELOPED UNDER THE CSCE TENT, WHICH HAS CONTRIBUTED TO OUR SUCCESS IN REUNIFYING FAMILIES. TODAY WE HAVE ONLY ONE OUTSTANDING NUCLEAR REUNIFICATION CASE.

3. THE HUNGARIAN REGIME -- QUITE APART FROM BILATERAL DEVELOPMENTS -- IS MOVING IN THE RIGHT DIRECTION IN SOME IMPORTANT RESPECTS. LAST OCTOBER AND AGAIN IN APRIL, IT NOT ONLY REAFFIRMED ITS PRAGMATIC AND RELATIVELY LIBERAL OUTLOOK IN ECONOMIC AFFAIRS, BUT IT ALSO TOOK SOME TOP PERSONNEL ACTIONS, SUCH AS BISZKU'S DEMOTION, WHICH SHOULD REINFORCE THE GOVERNMENT'S POLICY TO DECENTRALIZE ECONOMIC

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DECISIONS. THE CONSUMER ORIENTATION OF THE ECONOMY, THE BETTER LIFE THIS ORIENTATION HAS BEEN PROVIDING THE HUNGARIAN PEOPLE, AND THE PROGRESSIVE INVOLVEMENT OF HUNGARY INTO THE WORLD SCENE IMPLICIT IN ITS PRESENT POLICIES ARE ALL LIKELY TO INCREASE AS THE REGIME PUTS INTO EFFECT ITS PLANNED PRICE AND TAX REFORMS OVER THE NEXT TWO YEARS. THE DESIRE OF HUNGARY TO INCREASE ITS TRADE WITH THE WEST, AND THE REGIME'S INTEREST IN DEVELOPING ITS INTERNATIONAL RELATIONS IN A WAY WHICH FURTHERS THIS GOAL, ARE BOTH IN OUR INTEREST. HUNGARY HAS DEVELOPED MORE FLEXIBILITY TO MANEUVER ON THE EUROPEAN SCENE WITH BOTH WESTERN GOVERNMENTS AND COMMUNIST PARTIES. ALSO SIGNIFICANT IS THE CONTINUING IMPROVEMENT IN CATHOLIC CHURCH/GOH RELATIONS, OVER WHICH KADAR EXPRESSED PARTICULAR SATISFACTION IN HIS CONVERSATION WITH GOVERNOR HARRIMAN.

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C O N F I D E N T I A L SECTION 2 OF 2 BUDAPEST 3609

4. KADAR HIMSELF HAS TOLD US -- AND OTHER HIGH-RANKING HUNGARIANS HAVE ECHOED HIS REMARKS -- THAT HUNGARY IS READY FOR BETTER RELATIONS WITH THE UNITED STATES ALTHOUGH, TO USE KADAR'S PHRASE, IMPROVEMENTS IN OUR BILATERAL REATIONS "NEED NOT BE ADVERTISED IN NEON LIGHTS". THEY ARE SINCERE ABOUT THIS, BUT -- AND THIS IS THE POINT I WANT TO EMPHASIZE -- THERE ARE LIMITS TO HOW MUCH AND THE SPEED AT WHICH THESE RELATIONS CAN BE IMPROVED. HUNGARY HAS SET ONE FUNDAMENTAL LIMIT: THAT DEVELOPMENTS IN OUR RELATIONS NOT BRING INTO QUESTION ITS LOYALTY TOWARD THE SOVIET UNION. CONSEQUENTLY, WHAT IS IN PROSPECT IS COOPERATION WITH US IN AREAS AND IN WAYS WHICH THE HUNGARIANS FEEL WILL NOT STRAIN SOVIET TOLERANCE. WE SHOULD REMEMBER THAT THE HUNGARIANS BELIEVE,
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WITH SOME JUSTIFICATION, THAT THEY ARE EXPERT IN HANDLING THIS BALANCING ACT BETWEEN LOYALTY TO MOSCOW AND EXPANDING RELATIONS WITH THE WEST.

5. OBVIOUSLY WE CANNOT EXPECT IN THE NEXT TWELVE MONTHS

THE SAME REMARKABLE IMPROVEMENTS THAT WE HAVE EXPERIENCED IN THE LAST YEAR. THERE ARE NO MORE CROWNS TO RETURN AND MFN TO EXTEND, AND ALTHOUGH WE ARE EXPERIENCING A PERIOD OF GOOD FEELING BETWEEN OUR TWO COUNTRIES, MAKING PROGRESS IN THE FUTURE IS GOING TO BE MUCH MORE DIFFICULT. HUNGARIAN PERCEPTION OF ITS DELICATELY BALANCED INTERESTS IS A MAJOR INHIBITING FACTOR. STRAINED EAST-WEST RELATIONS IS ANOTHER. MOREOVER, RESOLUTION OF ISSUES WE ARE NOT ADDRESSING IN OUR BILATERAL RELATIONS TEND TO BE LESS IN THE HUNGARIAN INTEREST.

6. WHEN I STATED ABOVE THAT IN RECENT MONTHS WE HAVE RECEIVED BETTER TREATMENT FROM THE HUNGARIAN MEDIA, I DID NOT MEAN TO SUGGEST THAT OFFENSIVE ARTICLES NO LONGER APPEAR NOR THAT WE ARE IMMUNE FROM OFFENSIVE AGITROP INCIDENTS. OUR CONTINUING WORK WITH HUNGARIAN JOURNALISTS AND COMMENTATORS REMINDS US THAT WE STILL OPERATE IN A MEDIA ENVIRONMENT WHICH, TO PUT IT MILDLY, IS NEITHER FREE NOT ENTIRELY FRIENDLY. WHILE THERE HAS BEEN IMPROVEMENT IN OUR RELATION WITH GOVERNMENT AND PARTY OFFICIALS, WE STILL DO NOT HAVE REGULAR ACCESS TO TOP ECHELON HUNGARIANS EXCEPT IN THE MINISTRIES OF FOREIGN AFFAIRS AND FOREIGN TRADE AND THE NATIONAL BANK. MOREOVER, WHILE EMBASSY OFFICERS HAVE GREATLY INCREASED THEIR CONTACTS WITH HUNGARIAN EDITORS, INTELLECTUALS, ARTISTS, RELIGIOUS AND INDUSTRIAL LEADERS, ETC., PEOPLE STILL THINK TWICE ABOUT CONTACTS WITH AMERICANS AND HUNGARIAN OFFICIALS STILL MUST REPORT THEIR MEETINGS WITH WESTERNERS. IN THESE RESPECTS, CONFIDENTIAL

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AS WELL AS OTHERS, WE ARE CONTINUALLY REMINDED THAT WE'RE STILL LIVING IN A COMMUNIST STATE, AND THAT BRIDGING GAPS BETWEEN A DEMOCRATIC AND A COMMUNIST SOCIETY, EVEN ONE RELATIVELY LIBERAL, IS NOT AN EASY TASK.

7. THE POLICY OBJECTIVES RECENTLY ISSUED BY THE DEPARTMENT FOR HUNGARY ARE REALISTIC. I BELIEVE WE CAN MAKE PROGRESS IN DEALING WITH THEN, BUT IT WILL CALL FOR AN EXTRA DOSE OF REALISM AS WELL AS PATIENCE. WE SHOULD NOT BE SURPRISED IF 1978-79 TURNS OUT TO BE THE YEAR OF THE TORTOISE. KAISER

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